DEPARTMENT OF DEFENSE

ANNUAL STATEMENT OF ASSURANCE

VOLUME I

FOR FISCAL YEAR 1999

TABLE OF CONTENTS

Volume I

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Introduction and Executive Summary

The Department of Defense (DoD) Annual Statement of Assurance is provided in two volumes. Volume I provides a synopsis of the most significant internal management control problems (DoD systemic control weaknesses) and the corrective measures underway to resolve those weaknesses. Volume II provides a detailed analysis of specific DoD Component internal management control weaknesses that have no clear correlation to the systemic weaknesses. However, DoD Component weaknesses are considered significant by the management of the DoD Component reporting them.

The requirements of Section 4 of the FMFIA, are satisfied in the Department of Defense Financial Management Improvement Plan. The National Defense Authorization Act of 1998 directed DoD to create the Plan. The Plan is required to address financial management within DoD, including feeder systems not owned or controlled by the financial community that provide data to the Department's finance and accounting systems. Since the Plan addresses almost all aspects of DoD's financial management operations, it covers many of the financial reporting requirements specified in other regulatory legislation. The Plan is structured as a single integrated plan that incorporates these other regulatory reporting requirements. As a result, the information contained in the Plan also satisfies the requirements of Section 4 of the Federal Managers' Financial Integrity Act of 1982. After signature, both the 1999 Financial Management Improvement Plan and the DoD FY 1999 Annual Statement of Assurance will be available at www.dtic.mil/comptroller on the world wide web.

As noted in the table of contents, eight systemic weaknesses have been identified in the Department of Defense. One systemic weaknesses, "Personnel Security Investigations Program," is newly identified for the FY 1999 Annual Statement. Although the other seven systemic weaknesses closely parallel those reported in past DoD Annual Statements of Assurance, modifications have been made to their content and to some of the milestones associated with the weaknesses. The systemic weaknesses are:

1. Accounting and Finance Processes and Systems

2. Unreliable Financial Reporting of Personal and Real Property

3. Total Asset Visibility

4. Acquisition Process and Systems

5. Management of Unexploded Ordnance

6. Information Assurance

7. Year 2000 Computer Problem

8. Personnel Security Investigations Program

The overall effectiveness of the Department and its ability to provide assurances that it is able to achieve its mission objectives, currently and in the long-run, are the focus of Volume I. It provides an overview of the systemic concerns of the senior management of the Department of Defense and it also reflects concerns raised in Federal government arenas outside the Department of Defense. Furthermore, Volume I provides a summary of the fundamental logic being employed to resolve these problems and to provide assurance that DoD internal controls adequately support the accomplishment of mission objectives.

DoD Statement of Reasonable Assurance

As required by the Federal Managers' Financial Integrity Act (FMFIA), this statement of assurance, in its entirety, addresses the management controls of the Department and makes disclosures required by the Act. With the exception of the disclosed weaknesses, DoD has reasonable assurance about the effectiveness of its internal controls to assure its ability to fulfill its policy and mission responsibilities.

This conclusion is predicated on findings from evaluations conducted as part of DoD implementation of the Federal Managers' Financial Integrity Act (the DoD Management Control Program) and management's assessment of other information pertaining to the effectiveness of management controls. Although this Annual Statement of Assurance reports weaknesses in some management controls, the control weaknesses are not of sufficient materiality to endanger the Department's ability to accomplish its national security responsibilities.

The methods and procedures in place serve as reasonable stewards and effective safeguards of the Department's resources. The Department's controls, where deficient, are offset by other effective controls and reliable procedures that assure the Department's ability to field forces and provide an appropriate response to actions which are adverse to the safety and security of the United States, as directed by the President of the United States.

This statement continues to reflect the February 12, 1994 guidance issued by the Secretary of Defense which initiated activity assuring the participation of the most senior managers of the Department in the identification and resolution of DoD-wide systemic control problems. Based on the Secretary's directions, both the Deputy Secretary of Defense and the Under Secretary of Defense (Comptroller) defined the responsibilities of managers for this initiative. The systemic control weaknesses identified in Volume I of this Annual Statement, and actions outlined to resolve those weaknesses, reflect the Department's commitment to address and resolve these problems. Volume I disclosures also reflect accomplishments to date.

Accounting and Finance Processes and Systems

Statement of the Problem: Financial management systems within the Department are composed of accounting, finance, and other feeder systems. The Defense Finance and Accounting Service (DFAS) has ownership and responsibility for most of the Department's accounting and finance systems. The Military Services and Defense Agencies have ownership and responsibility for the Department's feeder systems. Financial information in the Department of Defense cannot be processed into financial statements that can withstand the rigors of financial audit.

Source of Identification: DoD financial managers, General Accounting Office reports, Inspector General, DoD reports, and DoD Component audit organization reports.

Potential Impact of the Problem: The Department's accounting, finance, and feeder systems do not fully comply with federal financial management systems requirements. As a result, the compilation of financial statements that can pass stringent audit requirements is impeded.

Many of the Department's existing accounting, finance, and feeder systems respond slowly to new or changing functional requirements imposed by legislative and/or regulatory actions. Adding to the delay in upgrading systems is the complex array of separate systems or subsystems that operate within specific organizational entities or functional areas, but do not always interface with one another. Consequently, too often the latest technological innovations cannot be, and therefore are not, readily incorporated within these various systems. Data common to, or required by, more than one system is not always exchanged among the systems in a timely, effective, or efficient manner. In essence, the systems continue to operate in a stand alone mode rather than in an integrated environment. As a result, in some cases, managers may not have access to specific financial information when desired and, if available, the information may not be in a format considered most useful for decision making purposes. Thus, it is generally perceived that the most effective use of the Department's resources has been inhibited by major system impediments.

Possible Solutions: The Department has undertaken numerous initiatives directed at improving its financial management processes and systems. Since its inception, the DFAS has worked steadily toward ensuring that its finance and accounting systems comply with applicable Federal requirements. The DFAS's finance and accounting systems strategy is based upon two primary elements: eliminate or replace noncompliant systems and develop, modify, and implement systems that substantially comply with Federal financial management systems requirements. The DFAS has eliminated/replaced many finance and accounting systems that did not comply with applicable Federal requirements. The functions performed by these noncompliant systems (referred to as legacy systems) now are being performed by other systems.

In other instances, accounting functionality is resident in automated information (nonfinancial) systems that perform programmatic and other functions. For such systems, the accounting functions are being transferred to DFAS accounting systems under development or systems that

are being enhanced. The nonaccounting functions performed by such systems may continue to be performed by the original systems.

As of September 30, 1999, the DFAS had 15 finance systems and 83 accounting systems. The DFAS plans to continue eliminating legacy systems with a goal of utilizing no more than 32 accounting and finance systems that are substantially compliant with Federal financial management systems requirements by the end of FY 2003. The majority of noncompliant legacy finance and accounting systems are to be replaced or have their financial functionality transferred to migratory systems by the end of FY 2003.

New systems under development or to be developed, including systems based on commercial off the shelf (COTS) and government off the shelf (GOTS) software, will be substantially compliant with Federal requirements.

Achieving accurate and acceptable financial management information requires enormous efforts from all functional communities within the Department, not just the financial management community. Much of the data needed for sound financial management information comes from systems operated by other functional communities. These systems, such as, logistics, acquisition, personnel, and medical, are owned by their respective functional communities. Therefore, much of the effort to improve financial management involves working with those communities to upgrade their systems to improve their data integrity, internal controls and their interfaces with the Department's financial management systems.

For FY 1999, the Department identified a baseline of 70 critical feeder systems and is in the process of evaluating these systems for compliance with Federal financial management systems requirements and accounting standards.

Of the 70 critical feeder systems, 15 have been determined to be substantially compliant, 3 partially compliant, 9 noncompliant, and 15 systems have not yet been fully evaluated. In addition, there are 28 legacy critical feeder systems scheduled for elimination or replacement.

Additionally, business practices are being reengineered to reflect simplified, standardized and improved financial management regulations and procedures. The use of technologies such as electronic commerce, electronic data interchange and electronic funds transfer are expected to drive significant business process improvements.

The Department develops an annual Financial Management Improvement Plan and submits it to the Congress and the Office of Management and Budget at the end of each fiscal year. The Plan is a strategic financial improvement plan that includes the Department's financial management concept of operations and addresses financial systems including finance, accounting and program feeder systems that originate and provide the majority of the financial source data. The Plan provides the guidance needed to guide organizations in their efforts to conform with those requirements necessary to achieve compliant, auditable financial data, while allowing them the flexibility to implement processes and systems essential for their individual operations. It also provides a framework with the flexibility to adapt to new federal accounting standards and take advantage of changing technology. The concept of operations, included in the Plan, identifies

the roles and responsibilities that financial managers, operational commanders, and program managers must have in financial management and describes the supporting infrastructure that is needed.

Major Milestones in Corrective Actions: (C = Completed)

Date:	Milestone:
C	Designate the DFAS as the single project office responsible for the Department's finance and accounting operations, financial management systems development and implementation.
C	Determine the overall concept of systems architecture for migration systems.
C	Determine and obtain Chief Financial Officer approval of significant financial functional requirements.
C	Standardize accounting classification coding structure and data element definitions.
C	Select migratory/interim migratory finance and accounting systems.
C	Develop an inventory of systems impacted by the Year 2000 problem and prepare a plan to implement the Year 2000 changes.
C	Reduce by 50 percent, the outstanding balance of unmatched disbursements and negative unliquidated obligations reported as of 0June 1993.
C	Establish senior management governing bodies to monitor operations and identify solutions for resolving financial management weaknesses and deficiencies.
C	Improve the Federal Managers' Financial Integrity Act process.
C	Develop and approve systems implementation schedule.
C	Reduce, clarify and reissue published policies and procedures through publication of all volumes of the "DoD Financial Management Regulation."
C	Publish Guide to Federal Requirements for Financial Management Systems.
C	Complete consolidation of the Department's accounting and finance sites into 5 Centers and no more than 20 Operating Locations.

C	Complete the Year 2000 mission critical systems changes.
C	Developed implementation strategies and supporting milestones for correcting specific major material deficiencies identified by the Office of Management and Budget in their letter dated June 5, 1998.
Continuous	Reengineer DoD finance and accounting processes.
Continuous	Resolve remaining unmatched disbursements and negative unliquidated obligations over 180 days old.

Planned Milestones (FY 2000):

Date:	Milestone:
9/00	Implement applicable solutions in accordance with the previously approved Implementation Strategies to correct material deficiencies identified by the Office of Management and Budget in their letter dated June 5, 1998, and through subsequent audits. (Other tasks may continue beyond FY 2000.)
Continuous	Implement migratory finance and accounting systems.
Continuous	Integrate finance and accounting systems with feeder systems.

Planned Milestones (Beyond FY 2000):

Date:	Milestone:
9/02	Resolve significant interface/integration requirements (personnel, acquisition, logistics, contracting and property).
9/03	Complete incorporation of appropriate finance and accounting systems enhancements.
9/03	Complete testing and revision of additional enhancements.
10/03	Complete transformation of migratory/interim migratory systems such that they comply with statutory, regulatory and audit requirements and standards governing financial management systems.
10/03	Commence first complete fiscal year under new financial management system architecture that is capable of producing auditable financial statements.

Office of the Secretary of Defense Functional Proponent Point of Contact:

Mr. James L. Ariail, Jr.
Office of the Under Secretary of Defense (Comptroller)
Financial Management Improvement Policy Office
(703) 604-6376

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999). Furthermore, Volume II of the Annual Statement of Assurance contains additional weaknesses that have no specific correlation to reported systemic weaknesses, but have been identified by the DoD Components in order to achieve full compliance with management control guidelines.

Department of the Army

Unresolved:

Accounting for Army Working Capital Fund Cash

Unreliable Payroll Data, Reserve Personnel, Army

Resolved:

Control of National Guard Personnel, Army Federal Funds

Department of the Navy

Unresolved:

Department of the Navy Chief Financial Officers Act Financial Statements, Index 17

Cash Management and Contract Payments at Selected Navy Activities in Europe

Department of the Navy Revolving Funds Chief Financial Officers Act Financial Statements Accountability

Unmatched Disbursements

Productivity Gain Sharing

Resolved:

    Undefinitized Contracts

Department of the Air Force

Unresolved:

    Military Retirement Health Benefits Liability Estimate

    Airlift Services Division Revenues

    Classification of Material Shipment and Receipt Transactions

    Supply Management Activity Group Accounts

    Management Over Free Issue of Reparable Support Division Assets

    Depot Maintenance Activity Group Accounts

    Contingent Liabilities

Resolved:

    Inventory Management - Financial Reporting of Inventories Within the Supply Management Activity Group

    Management of Reimbursable Fund Process

Defense Finance and Accounting Service

Unresolved:

    General Ledger Control and Financial Reporting

    Lack of Standard Business Practices and Compliant Accounting Systems for United States Transportation Command (USTRANSCOM) Components

    Unexplained Variances between Working Capital Fund and Treasury Disbursements and Reimbursements

    Lack of Standard Operating Procedures for Critical Processes

    Defense Joint Military Pay Systems Requirements and Systems Documentation Fragmented and Incomplete

Lack of Defense Joint Military Pay Systems Structured/Disiplined Release Process

Expenditure Authority Approval Prior to Foreign Military Sales Disbursements

Various Areas Within the Vendor Pay Division

Fund Balances with Treasury

Defense Finance and Accounting Service Columbus Center Physical Security

Access Deficiency to Departmental Accounting Files

Defense Transportation Payment System (DTRS) and DTRS - Accounting (DTRS - A) Weakness

Controlling Problem Disbursements

Interface Between Contract Payment System and Accounting Systems (Negative Unliquidated Obligations and Unmatched Disbursements)

Inadequate General Ledger Control and Unreliable Financial Reporting

Undistributed and Unmatched Cross Disbursing and Interfund Transactions

Contingency Plans

Inadequate Accounting and Reporting for Defense Working Capital Funds

Interface Between Marine Corps Total Force System and Accounting System

Financial Accounting for Inventory Held For Sale

Lack of Capital Asset Accounting System for U. S. Transportation Command

Strengthen and Improve Support of Accounting Operations at Defense Finance and Accounting Service-Cleveland Center

General Ledger Control and Reconciliation

Inaccurate Data and Reporting in Marine Corps Unified Materiel Management System

Unidentified Items in Suspense Priority Clearing Report

Trial Balance Reporting for Defense Agencies

Problem Disbursements

Updating Defense Joint Military Pay System-Active Component Overseas Housing and Cost of Living Allowances Tables

Accuracy and Credibility of Foreign Military Sales Financial Statements

Untimely Contract Fund Reconciliation Process

Inadequate Internal Controls Over Travel Payments

Reconciliation of Suspense Account Balances

Lack of Internal Controls to Ensure Timely Reconciliation of Navy Funds with Department of Treasury

Inadequate Check Issue Reconciliation

Inadequate Systems Interface Between the Computerized Accounting Payable System and the Standard Finance System-Redesign Subsystem One

Erroneous Posting and Reporting of Expenditure Accounting for Transportation Pay

Resolved:

Military Pay Internal Control Weaknesses

Merged Accountability and Fund Reporting Reconciliation

Noncompliance to Standard Working Capital Fund Procedures

Nonreporting of Internal Revenue Service Form 1099 To Internal Revenue Service

System Documentation

Lack of Reconciliation Between Defense Retiree and Annuitant Pay System-Retiree Casualty Pay Subsystem and Service Personnel Systems

Inadequate Defense Joint Military Pay System-Active Component/Defense Joint Military Pay System-Reserve Component Table Update

Lack of Consolidated Central Site Instruction for Defense Joint Military Pay System Reserve Component

Inadequate On Line History Records in Standard Materiel Accounting System

Check Issue Reporting Discrepancies

Inadequate Safeguarding of Procurement Information

Inadequate Internal Controls Over Special Military Payroll Process Through Standard Finance System-Redesign Subsystem One

Vendor Pay Deficiencies

Inadequate System Access Controls in the Mechanization of Contract Administration Services System

Inadequate Military Payroll Reconciliation of Data Elements in the Military Payroll-Reserve Component and Personnel Data System, Central Site Control

Incomplete Pre-Audits of Transportation Bills

Lack of Adjustment Audit Trails in the Defense Transportation Payment System

Nonreceipt of Costed Government Bills of Lading through Automated Interface to the Defense Transportation Payment System

Lack of Proper Cash Management Over Transportation Payments

Defense Logistics Agency

Unresolved:

Inadequate Financial Data Maintenance Regarding Unmatched Disbursements

Misuse of IMPAC Credit Card

Defense Environment Restoration Account (DERA) Funding for Army Corps of Engineers Projects

Resolved:

Insufficient Guidance for Administration of Other Transactions

National Reconnaissance Office

Resolved:

Lack of a Corporate Integrated Financial Management and Accounting System

Defense Threat Reduction Agency:

Unresolved:

Unmatched Disbursements and Negative Unliquidated Obligations Over 180 Days

Unreliable Financial Reporting of Personal and Real Property

Statement of Problem: The Department of Defense is not fully in compliance with Federal-wide accounting standards for accounting for real and personal property.

Source of Identification: DoD financial managers, and audit reports from the General Accounting Office, Office of the Inspector General, DoD, and DoD Component audit organizations.

Potential Impact of Problem: General ledger control over property, which is used to better ensure that all financial transactions are recorded in the official accounting records, often is not adequate. Recent financial statement audits found unreliable financial balances for real and personal property.

Existing accounting systems were not designed to satisfy the asset, liability and equity accounting data now required for financial reporting purposes. Instead, these systems depend on property managers at functional activities, using logistics systems, to furnish this data. These systems usually do not contain some of the following financial data: acquisition costs (versus standard prices), capitalization codes or thresholds, in house project investment, modification costs, overhaul costs, or segmentation of the data by financial account codes. Additionally, many of these systems do not compute depreciation. This adversely affects the ability and accuracy of financial reporting at the installation, intermediate and departmental levels.

Possible Solutions: The Department has selected, and is deploying an integrated property accounting and accountability system. This system, the Defense Property Accountability System (DPAS), permits the posting of information to the financial records as a by product of the property custodian's accountability processes and is a subsidiary ledger to the general ledger. The DPAS is not intended to necessarily encompass government property in the possession of contractors. Many DoD contractors already have adequate automated property management systems. In addition, the Department, with the cooperation of OMB and the audit community, is developing an implementation strategy with the goal of achieving an unqualified audit opinion on our financial statements. The issues relating to property associated with the implementation strategy include: property, plant and equipment existence and completeness; valuation of general property, plant and equipment; government property in the hands of contractors; national defense property, plant and equipment; and deferred maintenance.

Major Milestones in Corrective Actions: (C = Completed)

Date:	Milestone:
C	Establish requirements for DoD-wide property system.
C	Review existing systems to determine which could be fielded throughout DoD.

| C | Obtain migratory status approval. |

| C | Begin fielding system in DoD Agencies and Military Services. |

Planned Milestones (FY 2000):

Date:	Milestone:
Ongoing	Complete fielding DPAS at all Defense Working Capital Fund Sites for General Property, Plant and Equipment.
9/00	Finish fielding DPAS in Army and substantial fielding in Navy and Defense Agencies.

Planned Milestones (Beyond FY 2000):

Date:	Milestone:
Ongoing	Finish fielding DPAS in Navy and Defense Agencies.

Reason for Change in Milestones: When the system was selected, it was anticipated that it would be interfaced with single standard systems in tangential business areas (i.e., accounting, supply, and procurement). Since the Department of Defense has chosen multiple systems in these areas, many additional interfaces need to be built, resulting in an incremental system deployment. Further, substantial changes to accounting standards offered the opportunity to change DPAS to meet these revised requirements.

Office of the Secretary of Defense Functional Point of Contact:

Mr. Frank Egan, Program Manager
Defense Logistics Agency
(703) 767-7223

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999). Furthermore, Volume II of the Annual Statement of Assurance contains additional weaknesses that have no specific correlation to reported systemic weaknesses, but have been identified by the DoD Components in order to achieve full compliance with management control guidelines.

Department of the Army

Unresolved:

Financial Reporting of Real Property and General Equipment

Department of the Navy

Unresolved:

Excess Material and Unrecorded Inventories

Department of the Air Force

Unresolved:

Financial Reporting of Personal and Real Property

Asset Valuation

Defense Finance and Accounting Service

Unresolved:

Unreliable Financial Reporting of Personal and Real Property

Resolved:

Unreliable Financial Reporting on Tactical Military Equipment

Property Management Within the Defense Finance and Accounting Service

Defense Logistics Agency

Unresolved:

Inaccurate Reporting of Property, Plant, and Equipment Accounts on the Financial Statements

Inadequate Control Reviews for Inventory Other Than Stock On-Hand

Property Accounting Inputs for Defense Property Accountability System (DPAS)

Defense Commissary Agency

Resolved:

Commissary Accountability

Defense Threat Reduction Agency

Unresolved:

Unreliable Financial Reporting of Personal and Real Property/General Ledger Control Over Property

National Reconnaissance Office

Unresolved

Deficiencies in Financial Accounting for Property, Plant, and Equipment

National Security Agency

Unresolved:

Fixed Asset and Other Personal Property Accountability, Control and Reporting

Total Asset Visibility

Statement of the Problem: The Department does not have a capability to share logistics information concerning the location, condition, quantity, and availability of assets within and between Components and the Combatant Commands. The Department needs this capability across the functional areas of supply, transportation, maintenance, procurement, personnel, medical, and throughout all management levels from wholesale through retail. Additionally, the information must be provided to the operational Joint Task Force commanders, as well as logistics and weapons systems managers. The Components have developed their own systems which give them an asset visibility capability within their own respective organizations. Those systems must now be integrated and voids satisfied so that the Department may effectively and efficiently manage, deploy, and ship assets to meet critical readiness, contingency, and other requirements.

Source of Identification: Experience during deployment and sustainment of forces in times of war/emergency situations, as evidenced in Operation Desert Storm and, to a lesser extent, in Rwanda and Haiti.

Potential Impact of the Problem: The problem has an adverse impact on both readiness, contingencies, and other operations and results in overspending for items of supply. The inability of a unit to "see" where its requisitions are in the pipeline causes that unit to lose confidence in the system when the materiel does not arrive on schedule. As a result, the usual response is to requisition the materiel again. Unfortunately, this only causes already strapped supply and transportation systems to fall farther behind trying to move materiel that is not really needed. The inability to manage and allocate transportation and other logistics assets to the degree required is also a significant problem. Ports of debarkation are severely restricted by lack of information regarding the contents of containers and the ultimate consignees, causing severe backlogs during contingencies. Item Managers, unaware in many cases of on hand assets at units, program and buy additional materiel when the requirement could be satisfied from current assets if they were "visible" to the Item Manager.

Possible Solutions: In September 1994, the Deputy Under Secretary of Defense (Logistics) (DUSD(L)) established a DoD Total Asset Visibility (TAV) Joint Task Force to provide validation, oversight, and direction for a Joint TAV Program, through the development of a universally understood and accepted JTAV Implementation Plan. On April 21, 1995, the DUSD(L) designated the Army as the Executive Agent and established the JTAV Office to lead the initiatives for further development and implementation of the TAV capability of the CINCs, Services, and other DoD organizations. In November 1995, the Army, as the Executive Agent, published the final version of the JTAV Implementation Plan, which was approved by the Under Secretary of Defense (Acquisition and Technology) and distributed throughout the Department of Defense. In executing the plan, the JTAV Office developed an Operational and Systems Architecture designed to capture, see, share, and use logistics data and information across DoD in a timely, useful and secure manner. On June 1, 1998, the Defense Logistics Agency became the Executive Agent to facilitate integration with ongoing automated identification technology efforts.

Major Milestones in Corrective Actions: (C = Completed):

Date: Milestones:

C   Appoint DoD TAV Joint Task Force.

C   Establish a JTAV Executive Agent.

C   Establish a JTAV Office.

C   Prepare JTAV Implementation Plan.

C   Identify JTAV priorities and provide
                milestone schedule for JTAV implementation.

C   Demonstrate JTAV In-theater Capability at
                Joint Warrior Interoperability Demonstration 95.

C   Demonstrate JTAV In-theater Capability at Cobra Gold 96.

C   Field JTAV In-theater to U.S. European Command.

C   Finalize business rules for interservice visibility of reparable assets.

C   Field JTAV In-theater to U.S. Central Command.

C   Develop a JTAV Functional Requirements Document.

C   Develop a JTAV functional "as is" architecture.

C   Field JTAV In-theater to U.S. Atlantic Command.

C   Develop a draft JTAV Operational and Systems Architecture.

C   Release JTAV In-theater Version 2.4.

C   Release JTAV Web Version 1.0.

C   Field JTAV In-theater to U.S. Pacific Command.

C   Field JTAV In-theater to U.S. Forces Korea.

C   Initial demonstration of "to be" architecture.

C	Provide Initial Capability for Interservice Visibility of Reparable Assets.
C	Provide Operational Medical Shared Data Server.
C	Field Phase 1 Ammunition Asset Visibility.
C	Release JTAV In-theater Web Version 2.0.
C	Field JTAV In-theater to U.S. Southern Command.
C	Field JTAV In-theater to U.S. Special Operations Command.
C	Field Phase 2 Ammunition Asset Visibility.
C	Field Objective Architecture Release 1.0.
C	Field Phase 3 Ammunition Asset Visibility.

Planned Milestones (FY 2000):

Date:	Milestone:
1Qtr FY00	Field Objective Architecture Release 2.0.
4Qtr FY00	Complete development of visibility of assets in theater.

Planned Milestones (Beyond FY 2000):

| Date: | Milestone: |
| 1Qtr FY01 | Begin sustainment of visibility of assets in theater. |

Office of the Secretary of Defense Functional Proponent Point of Contact:

Ms. Kathy Smith
Office of the Deputy Under Secretary of Defense (Logistics)
Pentagon, Room 3B740
Washington, DC 20301
TEL: (703) 697-9196 Fax: (703) 614-1624
E-mail: smithkm@acq.osd.mil

Related Initiatives:

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Department of the Army

Unresolved:

Equipment In-Transit Visibility

Department of the Navy

Unresolved:

Asset Visibility of In-Transit Inventory

Department of the Air Force

Resolved:

Accountability for Locally Purchased Property and Equipment

Defense Logistics Agency

Resolved:

DoD Demilitarization Program and Accurate Coding for Items in the Inventory

DoD Demilitarization Program Military Departments/Defense Agencies Internal Regulations

Accountability of Excess Property In-transit to Disposal

DoD Small Arms Serialization Program Not Accomplished to Standard

Physical Inventory Program Not Executed to Standard

U. S. Transportation Command

Unresolved:

    Asset Intransit Visibility

Acquisition Process and Systems

Statement of the Problem: The Department of Defense has, and continues to build, the best weapon systems in the world. The Department accomplished this task by designing an acquisition system focused on creating leading edge technologies and minimizing the risk the government has to take in obtaining that technology. This system was designed during a time when technological advances were being achieved principally through the research the Department conducted and during a time when the threat we were required to meet was easily defined, funding was generally plentiful, technologies developed outside the Department were easily obtained and its rate of development was relatively slow. The resulting system tended to be inflexible and risk averse, consuming considerable resources and making it difficult for the Department to take advantage of changing technologies as they became available in the commercial marketplace. The challenge the Department has undertaken is to reduce the life cycle costs of goods and services while providing quicker access to commercially developed technologies, and utilizing commercial practices, wherever it makes sense. The focus of this effort is to achieve the Department's Vision of an acquisition system that is the smartest, most efficient, most responsive buyer of best value goods and services that meet the warfighters' needs from a globally competitive national industrial base.

Source of Identification of the Problem: DoD acquisition and procurement managers; Defense Science Board reports; General Accounting Office reports; Inspector General, DoD reports; and DoD Component audit organization reports.

Potential Impact of the Problem: Failure to streamline the DoD acquisition process, and to reengineer it to be more efficient and responsive, will adversely impact the ability of the warfighter to maintain technological superiority on the battlefield. It will also require more resources to accomplish the warfighters' mission and thus deprive other national domestic programs of needed resources.

Possible Solutions: Possible solutions can be divided into five areas. Those areas are: Requirements Determinations; Becoming the World's Smartest Buyer; Procuring Best Value Goods and Services; Delivering Efficiently and on a Timely Basis; and, Balancing Cost of Protections and Application of Socio-Economic Objectives. Solutions must be found in each category in order to correct the systemic weakness identified above.

Major Milestones in Corrective Actions: (C= Completed)

1. Requirements Determination: The first step in any acquisition is determining the requirement. The process by which these requirements are determined, reviewed, validated, and approved is lengthy, costly, and often approached from the perspective of describing solution instead of performance outcome desired.

    Date: Milestone:

    Ongoing   The requirements community is using the teaming concept in formulating

integrated concept teams to develop their requirements in warfighter terms. The Joint Requirements Oversight Council (JROC) is taking an active role to ensure that the requirements community is an active partner with the acquisition community in implementing the cost as an independent variable (CAIV) initiative. Early involvement by the requirements community allows cost and performance trade space for the acquisition community.

C   In June 1997 a joint tiger team was formed to begin looking at education and training requirements for the development of operational requirements for the requirements community.

1/99   Defense Management Council is sponsoring a study of the requirements process.

2. Worlds' Smartest Buyer: The second of the areas of possible solutions is to become the World's Smartest Buyer. To achieve this we must provide for continuous learning and early delivery of information about changes made to the system. In addition we must focus on training as a team, including our industry counterparts. Finally, training must be developed and delivered in a variety of media to allow for the most efficient delivery to the acquisition professional.

Major Milestones in Corrective Actions: (C= Completed)

Date:	Milestone:
Ongoing	Establish a step by step strategic plan of action to implement and institutionalize acquisition reforms.
C	1. Secretary Perry's memorandum, "Acquisition Reform: A Mandate for Change" was published on February 9, 1994.
Ongoing	2. Continuously update a strategic plan of action to implement and institutionalize acquisition reforms.
Ongoing	Communicate a common acquisition reform message and ensure that these messages are incorporated into curriculum and training materials throughout the Department and industry. We must focus on getting the right message to the right audience, the right way and at the right time.
C	1. Created the Acquisition Reform Communications Center (ARCC) to facilitate a joint DoD and industry team. The purpose of the ARCC is to disseminate acquisition reform (AR) messages and coordinate and facilitate acquisition workforce education and training efforts.

C	2. Held Acquisition Reform Day, May 31, 1996, to promote a Department-wide focus on AR initiatives and activities. Feedback was solicited, received, and evaluated. Specific actions required were identified and implementation plans for those actions were completed.
C	3. Based upon the feedback received, expanded Acquisition Reform Day to a week long series of activities, Department-wide. The focus is on teaming (including industry) and learning about acquisition reform initiatives and how they could be employed in mission accomplishment. AR Week II was held March 17-21, 1997. Feedback was solicited, received and evaluated. Specific actions required were identified and implementation plans for those actions were developed. AR Week III was held May 4-11, 1998 and AR Week IV was held June 7-11, 1999. Feedback was solicited, received and evaluated.
C	4. Established a requirement for 40 hours of continuing education for acquisition personnel. This requirement is accomplished through viewing satellite training broadcasts, seminars, conferences, articles and speeches, in addition to a formal classroom environment.
Ongoing	5. Future AR Days/Weeks will be held annually to continue the focus on continuous education and training in Acquisition Reform initiatives.
Ongoing	Provide incentives for acquisition personnel to innovate, while providing appropriate guidance, and the benefit of lessons learned. The enabling part of this initiative is achieved by redesigning the purpose and approach of both the Federal and DoD acquisition regulations and policies. This redesign will better facilitate the acquisition process (e.g., by encouraging risk management rather than risk avoidance).
Ongoing	1. DoD Directive 5000.1 and DoD Instruction 5000.2 were rewritten and published on March 15, 1996. Changes are being incorporated as necessary.
Ongoing	2. The Defense Acquisition Deskbook was created with the operational test release on May 28, 1996. The first release occurred July 31, 1996, followed by a second release on September 30, 1996. The Deskbook is being updated quarterly and is now available through the internet at the Deskbook homepage: http://www.deskbook.osd.mil.
Ongoing	3. Evaluate the regulation writing process to determine whether that process provides the kind of regulations that meet the needs of the users. Once the evaluation is complete, recommendations will be made to the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) regarding a Federal Acquisition Regulation (FAR) rewrite.

Ongoing	Create a DoD and government-wide Electronic Commerce/Electronic Data Interchange (EC/EDI) System for contracting that will provide one face to industry, and will allow vendors to interrogate the DoD database of all outstanding Requests for Quotations, etc., by using a Value Added Network of their choice.
C	1. Form an EC/EDI Process Action Team (PAT) to look at and recommend ways to leverage the use of EC/EDI within DoD. The PAT completed its work and its recommendations were approved January 1994.
C	2. Develop an EC infrastructure and the Electronic Commerce Information Center.
C	3. Establish an EC Program management structure to manage the implementation of the approved EC/EDI PAT recommendations and support education and outreach.
N/A	4. Interim DoD Federal Acquisition Computer Network (FACNET) sites were certified - 325 as of October 1997; however, the DoD Authorization Act of 1997 deleted the FACNET requirement and, therefore, interim FACNET certification is no longer required.
C	5. Create a Central Contractor Registration (CCR) to eliminate redundant registration by contractors and reduce administrative burden on contracting offices. A CCR has been established and is accessible through the world wide web and direct dial in.
C	6. The Joint Electronic Commerce Program Office (JECPO) stood up operations on June 5, 1998, to support this mission.

3. <u>Procuring Best Value Goods And Services</u>: DoD will Procure Best Value Goods and Services, by buying from world class suppliers, who are part of a globally competitive national, as opposed to defense unique, industrial base, composed of commercial or dual-use suppliers capable of meeting DoD needs and willing to sell to the U.S. government; and by using commercial practices to the maximum practicable extent, in order to ensure access to state-of-the-art technology, reduce the cost of products and services to the government, and reduce acquisition lead-times.

Major Milestones in Corrective Actions: (C= Completed)

Date:	Milestone:
Ongoing	Eliminate DoD unique product or process specifications that inhibit the purchase of commercial items or services, or dictate to a contractor how to produce a product or provide a service.

C	1. Establish policy - Secretary Perry's memorandum of June 1994 required use of performance specifications; military specifications authorized only if waiver provided by the Milestone Decision Authority.
C	2. The Single Process Initiative (SPI) was implemented on December 8, 1995, encouraging reduction of the number of processes used in a single facility and relying on proven commercial processes as much as possible. USD(AT&L) reaffirmed a long term vision for SPI on June 3, 1998.
Ongoing	3. Since implementation, the Department has received 1,706 concept papers from 329 contractors. To date 1,225 modifications have been executed for an estimated cost avoidance value of $468 million. Additionally, at least 213 facilities have been converted to ISO-9000 capable facilities. Our administrative contracting officers have signed, and are continuing to sign, block change modifications with many Defense contractors, ensuring that this process is taking root within a wide spectrum of the defense supplier base.
Ongoing	Use commercial practices to acquire military unique items, as well as commercial items, to the maximum extent practicable.
C	1. Pilot Programs were authorized in the Federal Acquisition Streamlining Act (FASA) of 1994. Some examples of Pilot Program impacts are as follows: the applicability of commercial practices was demonstrated across a wide variety of defense programs; the Pilot Programs demonstrated with metrics that the use of commercial practices significantly reduced in-house costs and contractor costs; and cost reductions of almost $5 billion and cycle time improvements of up to 35 percent were documented.
Ongoing	2. We are implementing additional relief provided in the FY 1997 DoD Authorization Act.
Ongoing	3. We are exporting the lessons learned from the pilot program to other acquisition programs.
Ongoing	Establish and maintain more effective working relationships with industry using Integrated Product Teams (IPTs).
C	1. Establish policy - Department-wide use of IPTs was implemented by Under Secretary Kaminski's April 28, 1995, memorandum, "Reengineering the Oversight and Review Process," and Secretary Perry's May 10, 1995, Memorandum, "Use of Integrated Product and Process Development and Integrated Product teams in DoD Acquisition."

Ongoing	2. Updates on effectiveness are received through USD(AT&L) annual sponsored surveys and reported to USD(AT&L), Service Acquisition Executives, as well as DoD Program Managers, Program Executive Officers, and Commanders of Major Systems Commands at the Program Executive Office (PEO)/SYSTEM COMMANDER conferences sponsored by the Defense Systems Affordability Council (DSAC).
Ongoing	3. Future workforce surveys are planned to help check the effectiveness of IPTs for weapon systems.
Ongoing	Make effective use of market research and commercial pricing techniques.
C	1. Established a Commercial Advocates Forum on-line on May 31, 1996.
C	2. In October 1997, developed an on-line Internet market research capability.
C	3. Provided training on market research (10/97) and commercial pricing (6/98) via satellite broadcasts.
6/98	4. Develop on-line management tool to assist in commercial pricing determinations and identify anomalies (beta testing in conjunction with 1 and 2 above).
Ongoing	5. Develop strategies to leverage DoD buying power in commercial negotiations.

4. <u>Delivering Efficiently and on a Timely Basis</u>: DoD will establish and maintain the most timely, flexible, responsive, and efficient system, where individuals or teams are accountable for an entire process and can change the process without inordinate difficulty or delay, and success is judged on the basis of performance related metrics rather than adherence to regulations.

Major Milestones in Corrective Actions: (C= Completed)

Date:	Milestone:
Ongoing	Maximizing the use of simplified acquisition procedures.
C	1. FASA authorized use of simplified acquisition procedures up to $50,000; $100,000 once a certified FACNET system is in place at the specific contracting activity.
C	2. Clinger-Cohen (a.k.a. the Federal Acquisition Reform Act (FARA) of 1996) increased the authority to use Simplified Acquisition Procedures in all procurements of $100,000 or less regardless of FACNET certifications. This authority has been implemented in the FAR and is being implemented in DoD 5000.2-R.

Ongoing	Maximize use of micro-purchase authority.
C	1. Form a Process Action Team (PAT) to identify barriers to greater use of the government-wide purchase card and to recommend ways to promote the use of the government-wide purchase card. Team formed and report submitted in October 1996.
C	2. Obtain Deputy Secretary of Defense (DEPSECDEF) approval of PAT's recommendations. DEPSECDEF approved the findings and recommendation of the PAT in June 1997.
Ongoing	3. Implement the PAT's approved recommendations.
Ongoing	Improve the Service and OSD milestone decision making and information collection processes for major systems, commensurate with risk, dollar value, acquisition strategy, etc., to: establish appropriate levels of service and OSD value added management, assistance, and oversight; identify appropriate issues for review; ensure that reviews occur at the appropriate time during the program; ensure that reviews foster agreement on appropriate levels of program risk; and ensure that reviews revalidate the chosen system solution to meet a needed military capability, given program risk, cost, schedule, reliability and maintainability, industrial base, and performance considerations. Eliminate functional stove pipes and replacing them with integrated product teams that provide the necessary cross section of functional expertise and organizational input to address and resolve acquisition issues at the lowest possible management level.
C	1. The Oversight and Review Process Action Team report recommended specific actions, 82 percent of which were approved and were implemented.
C	2. Establish the Integrated Product Team (IPT) process as policy. The IPT process was implemented by the USD(AT&L) memorandum dated April 28, 1995, "Reengineering the Oversight and Review Process," and the Secretary of Defense's May 10, 1995, memorandum, "Use of Integrated Product and Process Development and Integrated Product teams in DoD Acquisition."
C	3. A new Overarching and Working level IPT oversight process was designed to successfully team Military Department and OSD acquisition staffs with PEO and Project Manager (PM) staffs to increase the opportunities for program success through early insight rather than after the fact oversight.

C	4. Through use of the redesigned review process, the time from the day of the Defense Acquisition Board (DAB) meeting to the signing of the Acquisition Decision Memorandum has decreased from an average of about 23 days in 1994 to about 2 days. In addition, because this early and continuous insight process is helping to resolve major issues, less formal DAB meetings are being held. In the last year, 16 DABs were scheduled, but only 3 were convened.
C	5. The IPT process goals were also supported by implementation of the Contract Administration PAT recommendations concerning shifting oversight from risk avoidance to risk management, inculcating teaming attitudes between program management offices and the contract administration community, and elimination of non-valued added activities.
Ongoing	Streamline and make more effective and realistic developmental, live-fire, and operational testing.
C	1. The Department was granted authority in Federal Acquisition Streamline Act (FASA) to use alternative live fire test procedures when full up live fire test is waived.
C	2. In October 1997, the DoD Authorization Act of 1997 granted the authority to use alternative operational test procedures for Pilot Programs.
Ongoing	3. Further legislation to streamline further the testing process is being developed.
Ongoing	Shifting, to the maximum extent practicable, from a management philosophy that attempts to achieve high quality and performance through after-the-fact inspection, to government review of contractor process controls and review of output.
C	1. Establish policy. DEPSECDEF's February 14, 1994 memorandum "Use of Commercial Quality System Standards in the DoD," implemented the policy. This memorandum recognizes the use of ISO 9000 and established policy for the use of those standards. Also, the Single Process Initiative was implemented on December 8, 1995.
Ongoing	2. Since implementation, the Department has received 1,706 concept papers from 329 contractors. To date 1,225 modifications have been executed for an estimated cost avoidance value of $468 million. Additionally, at least 213 facilities have been converted to ISO-9000 capable facilities. Our administrative contracting officers have signed, and are continuing to sign, block change modifications with many Defense contractors, ensuring that this process is taking root within a wide spectrum of the defense supplier base.

Ongoing	Ensuring that DoD emulates the best procurement practices (e.g., timely, responsive, flexible and efficient) of world class customers and suppliers including: using performance based and fixed price service contracts; rewarding past contractor performance in source selection; identifying and disseminating best procurement practices; eliminating nonvalue added activities, duplicative reviews, revisiting decisions, and nonhands on labor.
C	1. A DoD Procurement Wisdom System was established to identify and disseminate best procurement practices throughout DoD by incorporation into the Defense Acquisition Deskbook, with continuous planned updates.
C	2. Implementation of the Procurement Process PAT recommendations regarding improvement of both the sole source selection and competitive processes is completed.
Ongoing	3. The Past Performance Coordinating Council was rejuvenated to work past performance policy issues. Its recommendations were adopted and an IPT was formed to address recommendations in the Arthur D. Little report on implementing the collection and use of past performance information within the Department.
Ongoing	Update laws regarding foreign contracting and contingency operations, the lending/borrowing of defense equipment, and war risk to contractor personnel.
C	1. Authority for contingency operations was received in Clinger-Cohen and has been implemented in the FAR.
C	2. A Contingency Contracting course was developed by the Defense Acquisition University. It is now part of the formal acquisition training system.
Ongoing	3. Draft proposed Defense Trade and Cooperation legislation submitted in FY 1998, to be resubmitted in 1999 as part of Civil Military Integration (CMI) initiative.
Ongoing	Establishing clear process and outcome (performance-related) measures to determine success of change efforts.
C	1. In August 1995, the Metrics Tiger Team recommended 23 strategic outcome metrics to the Deputy Under Secretary of Defense (Acquisition Reform) and the Assistant Secretary of Defense (Economic Security). At the direction of the Under Secretary of Defense (Acquisition and Technology), the Deputy Under Secretary of Defense (Acquisition Reform) chartered the Acquisition Reform Benchmarking Group (ARBG) to review the strategic outcome metrics.

C	2. Based on the conclusion of the ARBG's review of the Offices of Primary Responsibility that the metrics were "okay for data collection," the Deputy Under Secretary of Defense (Acquisition Reform) tasked the Services/Agencies to begin reporting on October 1, 1995.
C	3. In 1996, seven DoD Enterprise Acquisition Metrics were identified and approved from the following focus areas: cost, schedule, performance, and training.
C	4. In 1997, twelve National Performance Review (NPR) goals were identified for approval by the Vice President.
C	5. Reports to NPR/OMB on Implementation of Year 2000 Acquisition goals were published August 1998, February 1999 and August 1999.

5. <u>Balancing Cost of Protections and Application of Socio-Economic Objectives</u>:

Major Milestones in Corrective Actions: (C= Completed)

Date:	Milestone:
Ongoing	Eliminate, to the maximum extent practicable, government unique terms and conditions.
Ongoing	1. In FY 1995, the Department began the implementation of FASA, in particular, the portions on the use of commercial items and the simplified acquisition threshold. This authority allows the use of commercial terms and conditions in many instances thus reducing barriers to domestic commercial sources, improving technology and reducing prices.
Ongoing	2. The Department was also able to obtain additional legislative relief that promotes the use of commercial items and the simplified acquisition threshold and is currently in the process of implementing this new authority.
C	3. Policy memo dated March 20, 1997, stipulates that the government-wide commercial purchase card is the preferred method of procurement for micro-purchases.
C	Verify completion of milestones.

Office of the Secretary of Defense Functional Proponent Point of Contact:

Ms. Carol Preston
Office of the Under Secretary of the Department of Defense for Acquisition, Technology and Logistics
Office of the Deputy Under Secretary of Defense (Acquisition Reform)
(703) 614-3882
(703) 695-4050 (Fax)

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999). Furthermore, Volume II of the Annual Statement of Assurance contains additional weaknesses that have no specific correlation to reported systemic weaknesses, but have been identified by the DoD Components in order to achieve full compliance with management control guidelines.

Department of the Navy

Unresolved:

    Requirements Determination

Defense Logistics Agency:

Resolved:

    Untimely Contract Terminations at Wholesale Inventory Control Activities

Defense Threat Reduction Agency:

Resolved:

    Placement of Interagency Orders Under the Economy Act

Management of Unexploded Ordnance (UXO)

Statement of the Problem: The Department of Defense (DoD) has an extensive test and training range complex. Ranges and their associated infrastructure are finite resources that DoD must maintain properly to ensure they support sustainable, safe, and efficient testing and training operations into the foreseeable future. Unexploded ordnance (UXO) and explosives residue can present a hazard to those personnel conducting tests or training in range areas. There also exists either the potential for changes in range use, e.g., from test range to maintenance area, or the possibility that DoD might transfer a range for public, private, or other agency use, e.g., under the Base Realignment and Closure (BRAC) program. In addition to safety concerns, there is uncertainty regarding the environmental impact of the use of munitions on ranges---both from munitions functioning and from leaving UXO (including munitions that low-order detonated) on ranges over long periods of time.

Practicing sustainable use of test and training ranges is essential to ensure DoD has the capacity, now and in the future, to fulfill its mission. There are increasing regulatory and public interest pressures threatening DoD's use of its ranges due to concerns about cleanup of UXO and other related contaminants. DoD and the Military Departments have various policies that address UXO from a safety standpoint only. DoD currently lacks policies addressing the Military Departments' responsibility for (a) environmental and explosives safety management of active and inactive (AI) ranges and (b) cleanup of UXO at closed, transferred, and transferring (CTT) ranges. These policies are essential to ensure a balance between readiness, safety, and the environment by determining how the Government cleans up UXO and other environmental contaminants on ranges.

With the exception of cleanup of UXO on formerly used Defense sites (FUDS), the Military Departments do not account for UXO clearance and cleanup in the DoD Programming, Planning, and Budget System (PPBS). The current rate of funding for the cleanup of UXO on FUDS is inadequate to meet the Department's responsibility to protect human health and safety at properties that are no longer under DoD control.

Source of Identification: Defense Science Board Task Force on UXO draft report, April 1998; Department of the Army's FY 1998 Annual Statement of Assurance citing a Material Weakness, titled "Management of Unexploded Ordnance;" and numerous reports of the Inspector General, DoD.

Potential Impact of the Problem: If DoD fails to effectively address UXO and other environmental contamination off AI and CTT ranges there could be: (a) unacceptable exposure to UXO, possibly resulting in injuries or death to DoD and non-DoD personnel, and (b) continued uncertainty regarding environmental impacts of munitions use on ranges. In response, external regulatory and public interests will attempt to: (a) control how the Government regulates DoD's use of its ranges to test weapons and train forces and (b) affect DoD's ability to renew or acquire additional land withdrawals for use as ranges.

Possible Solutions: DoD must issue: (a) policy for environmental and explosives safety management of AI ranges and cleanup of CTT ranges within and outside the United States and (b) PPBS structures, e.g., Defense Planning Guidance (DPG) goals and Program Objective Memorandum Preparation Instructions (PPI), to ensure the Military Departments plan, program, and budget appropriate funding for clearance/cleanup of UXO and assessments of environmental contamination on ranges. The Military Departments should institutionalize management of UXO clearance/cleanup and assessment of environmental contamination on ranges in their Operations and Maintenance (O&M) budgets.

Major Milestones in Corrective Actions: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Established Operations and Environment Executive Steering Committee for Munitions (OEESCM) to coordinate UXO and other munitions issues across the Military Departments and functional areas.
C	Established PPI to collect UXO cleanup funding data for CTT ranges.
C	Collected funding data for UXO cleanup for CTT ranges as a supplemental display in the FY 00-05 Program Objective Memorandum (POM).
C	Collected FY 01-05 POM data for funding UXO cleanup at CTT ranges.
C	Published DoD Directive 4715.11, "Environmental and Explosives Safety Management on Department of Defense Active and Inactive Ranges Within the United States," August 17, 1999; and DoD Directive 4715.12, "Environmental and Explosives Safety Management on Department of Defense Active and Inactive Ranges Outside the United States," August 17, 1999.

Planned Milestones (FY 2000):

Date:	Milestone:
11/99	Establish FY 02-07 PPI format for collecting funding data for sustainable AI range management efforts required by DoDD 4715.11 and DoDD 4715.12, in coordination with the Under Secretary of Defense (Personnel & Readiness) (USD(P&R)) and the Director, Program Analysis and Evaluation (PA&E). If time constraints prevent formal collection of data in the FY 02-07 POM, obtain PA&E concurrence to include as a supplemental display in the POM.

12/99	Ensure Army, Navy, and Air Force begin efforts to establish the necessary procedures to implement their responsibilities under DoDD 4715.11 and DoDD 4715.12.
12/99	Issue guidance to all DoD Components on establishing and maintaining complete inventories of all DoD ranges in coordination with the Deputy Under Secretary of Defense (Installations) (DUSD(I)).
01/00	Ensure Army, Navy, and Air Force initiate inventories of AI and CTT ranges consistent with DUSD(ES)/DUSD(I) guidance.
05/00	Collect FY 02-07 POM data for funding UXO cleanup at CTT ranges. Collect FY 02-07 POM data for funding sustainable AI range management efforts via either official format or supplemental display.
08/00	Publish the completed Range Rule.
08/00	Establish FY 03-07 DPG and PPI for sustainable AI range management efforts in coordination with USD(P&R).

Planned Milestones (Beyond FY 2000):

Date:	Milestone:
10/00	Ensure Army, Navy, Air Force complete efforts to establish and implement procedures to assess the environmental impact of the use of munitions on DoD ranges.
12/00	Publish DoD Directive 4715.BB, "Environmental and Explosives Safety Management Policy for Closed, Transferred, and Transferring (CTT) Ranges."
02/02	Ensure Army, Navy, and Air Force establish procedures for range clearance operations to permit the sustainable safe use of DoD ranges for their intended purpose. In determining the frequency and degree of range clearance operations, ensure they consider, at a minimum, the safety hazards of clearance, each range's intended use, and the quantities and types of munitions expended on that range.
05/01	Collect FY 03-07 POM data for funding sustainable AI range management efforts and UXO cleanup at CTT ranges.
10/01	Ensure Army, Navy, Air Force implement the procedures, developed in FY 01 with funding included in their FY 02-07 POMs, to assess the environmental impact of the use of munitions on DoD ranges.

12/01	Ensure Army, Navy, Air Force management plans, at the installation or responsible activity level, include planning for sustainable range use. This planning, at a minimum, will address: long-term sustainable use; management procedures; record keeping; standards; monitoring; public outreach and public participation programs, if required; technology requirements to ensure sustainable range management; integration with other installation planning processes; and resources.
02/02	Complete Range Rule implementation plan for CTT ranges.
02/02	Ensure Army, Navy, and Air Force complete inventories of AI and CTT ranges consistent with DUSD(ES)/DUSD(I) guidance.

Office of the Secretary of Defense Functional Points of Contact:

Mr. Eric Spillman, ODUSD(ES)
Phone: (703) 604-1732
Fax: (703) 607-4237
E-mail: spilhner@acq.osd.mil

Mr. Vic Wieszek, ODUSD(ES)
Phone: (703) 697-9789
Fax: (703) 695-4981
E-mail: wieszev@acq.osd.mil

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999). Furthermore, Volume II of the Annual Statement of Assurance contains additional weaknesses that have no specific correlation to reported systemic weaknesses, but have been identified by the DoD Components in order to achieve full compliance with management control guidelines.

Department of the Army

Unresolved:

   Management of Unexploded Ordnance and Other Constituents

Information Assurance

Statement of the Problem: Over the last several years, there have been numerous computer system intrusions within the Department of Defense which have highlighted the vulnerability of information systems to attack. During this time, DoD sensitive but unclassified systems and networks used to support finance, logistics, medical, procurement, personnel, research and development activities, and other support and sustainment functions, have been probed, with some successfully penetrated. No classified DoD systems have been penetrated from the outside.

Source Identifying Weakness: Audit reports, to include DoDIG Report Number 99-069, "Summary of Audit Results – DoD Information Assurance Challenges," dated January 22, 1999; General Accounting Office Final Report, GAO/AMID-99-107, "DoD Information Security: Serious Weaknesses Continue to Place Defense Operations at Risk."

Potential Impact of the Problem: DoD dependence on information systems makes information assurance a critical readiness issue. It is also critical on a national level as systems and networks of the Defense Information Infrastructure (DII) develop and integrate into the larger National Information Infrastructure (NII). This problem inheres in our dependence and the state of current technology, and although many corrective actions have been implemented, intrusions continue to occur.

Possible Solutions: Information Assurance (IA) is top priority across the entire Department, including all Commands, Services and Defense Agencies. OASD(C3I) monitors progress through feedback obtained during DoD Chief Information Officer (CIO) Council executive sessions; periodic updates received as a result of previous audits; extensive use of the Inspector General, DoD teams who have been trained to follow up on IA-related areas; staff visits from senior ASD(C3I) to CINC's and components; follow up reporting generated through Information Assurance Vulnerability Alert (IAVA) process. DoD's solution to addressing includes many areas which must be carried out in parallel. DoD is increasing each of the following:
- Number of personnel trained and certified in Information Technology (IT) security (users and system administrators) for all levels of classification; number of intrusion detection systems deployed across DoD networks;
- Number of DoD Public Key Infrastructure (PKI) certificates issued; number of PKI Local Registration Authorities and Certificate Authorities established;
- Number of programs receiving Defense Information Technology Security, Certification and Accreditation Process (DITSCAP) approval;
- Number of products certified in National Information Assurance Partnership (NIAP) under Common Criteria evaluations;
- 'Red Team' exercises and evaluations;
- Deployment of a cohesive and coordinated attack sensing and warning network; and
- Thorough security vulnerability assessments.

Major Milestones in Corrective Actions: (C = Completed)

To date, the Department has implemented several information assurance initiatives to prevent unauthorized access to defense networks, systems, and data. Specifically:

Completed Milestones:

Date:	Milestone:
C	Implement and improve Information Assurance Vulnerability Alert (IAVA) process to alert forces of security vulnerabilities and ensure corrective actions are completed.
C	Implement DepSecDef Personnel Attestation Policy Certificate program to renew and affirm commitment to protecting information.
C	Develop and publish DoD policy guidance for the implementation of a Public Key Infrastructure (PKI).
C	Review DoD Web pages and remove information that reveals unclassified information that could by itself, or combined with other unclassified materials, reveal vital operational capabilities or vulnerabilities.
C	Influence DoD Research and Development (R&D) investment for Infrastructure and Information Assurance (I&IA) related projects.
C	Complete IA/IT Integrated Process Team (IPT) and recommend actions to DoD seniors with respect to improving training and retention of critical skills required of personnel operating and maintaining IT systems.
C	Revised Unclassified But Sensitive Internet Protocol Router Network (NIPRNet) policy to control and monitor access between the DoD and the Internet.

Planned Milestones (FY 2000):

Date:	Milestone:
10/99	Complete PKI Implementation Plan, PKI Roadmap, and PKI Certificate Policy to firmly establish milestones and technical requirements to implement PKI infrastructure and operations.
11/99	Develop Attack Sensing and Warning Strategy across the DII to allow cohesive response and coordination when intrusions occur.

11/99	Develop new policy establishing a balanced risk management approach to achieve required levels of IA for all information systems supporting DoD operational readiness and mission effectiveness. This directive and instruction will replace DoDD 5200.28, "Security Requirements for Automated Information Systems (AIS)," its accompanying manual, and DoDD 5200.5, "Communications Security."
11/99	Reach Final Operational Capability (FOC) for DoD Computer Forensics Training Center and DoD Forensics Lab to improve the Department's capability to analyze computer intrusion events.
Ongoing	Defense business processes are aggressively being subjected to robust Functional Process Improvements to include IA that will provide protection for Defense systems.
06/00	All internal or restricted (not publicly accessible) web servers will have minimum of Class 3 server certificates issued by DoD PKI.

Planned Milestones (Beyond FY 2000)

Date:	Milestone:
10/00	Every DoD organization must have deployed infrastructure having capability to issue PKI Class 3 certificates.
10/01	All DoD users will be issued a Class 3 certificate or higher, and electronic mail protected by digital signature. All internal or restricted DoD and DoD-interest web servers will require client identification and authentication using Class 3 certificates.
Ongoing	ASD (C3I) continues to urge DoD Components to emphasize the importance of computer security. Specifically, Components have been urged to (1) accelerate the correction of computer security weaknesses reported in the Annual Statement of Assurance, or audit reports, (2) ensure that appropriate computer security policies and procedures have been issued, (3) strongly enforce computer security policies, and (4) test their capabilities on a regular basis to identify exposures and vulnerabilities, and eliminate them.

Office of the Secretary of Defense Functional Proponent Point of Contact:

Mr. Richard C. Schaeffer, Jr.
Director, Infrastructure & Information Assurance
Office of the Deputy Assistant Secretary of Defense
(Security and Information Operations)
703-695-8705

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of Departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999). Furthermore, Volume II of the Annual Statement of Assurance contains additional weaknesses that have no specific correlation to reported systemic weaknesses, but have been identified by the DoD Components in order to achieve full compliance with management control guidelines.

Department of the Army

Unresolved:

 Information Systems Security

Department of the Navy

Unresolved:

 Navy's Military Personnel Records System Needs Replacement

Resolved:

 Management and Use of Navy Cellular Telephones

 Telecommunications Services

Department of the Air Force

Unresolved:

 Computer and Information Security

Resolved:

 Application Controls for the Defense Material Utilization and Disposition Program Management System

Defense Commissary Agency

Unresolved:

 Automated Information System Firewalls

Defense Finance and Accounting Service

Resolved:

Mid Tier Support Deficiencies of Automated Information Systems

Defense Logistics Agency

Resolved:

Automated Data Processing Security Vulnerabilities

U. S. Central Command

Unresolved:

Automated Information Systems Security (Training) in the U. S. Central Command

Automated Information Systems Security (Acquisition) in the U.S. Central Command

U. S. Strategic Command

Unresolved:

Top Secret Control Program

Year 2000 Computer Problem

Statement of the Problem: The world's inventory of computer systems includes extensive hardware and software that process dates using two digits. Each system must be examined for its ability to use date related information throughout the transition from 1999 to 2000. The scope, magnitude, and complexity of the problem exceed the time and resources available to fix all date related errors. The Department of Defense (DoD), along with other organizations worldwide, must prioritize its remediation and replacement efforts in keeping with it own mission priorities.

Source(s) Identifying Weakness: Executive Order, Office of Management and Budget (OMB), Congress, General Accounting Office, Inspector General, DoD, and DoD management.

Potential Impact of the Problem: Any computer system which processes date related information is potentially affected by the Year 2000 (Y2K) computer problem. The use of computer systems, for data processing and electronic control of mechanical devices, appliances, and infrastructure components, is pervasive. Consequently, the Y2K problem could affect the operations of government, manufacturing, commerce, transportation, communications, and day-to-day functioning of cities and nations. The Y2K problem also has the potential for causing corruption of data used in computer systems, which, if undiscovered, could cause delayed deterioration or errors in data processing systems.

Possible Solutions: The DoD is addressing the Y2K problem from the perspective of its impact on national security. Support from all DoD components is required to complete correction of this systemic weakness. Through use of centralized reporting and management mechanism such as the Y2K Steering Committee meetings (chaired by the Deputy Secretary of Defense), the support of all Components is assured. Correction action is tracked through monthly Y2K Steering Committee meetings at which DoD progress is reported. The Inspector General, DoD General, Military Department Inspectors General, and the General Accounting Office have and continue to conduct audits on all aspects of the Year 2000 problem. The major components of the process being used to address this problem are:

-Declaring Y2K to be a threat to national security and focusing senior leadership efforts by involving the Secretary of Defense and Deputy Secretary of Defense.

-Oversight of Y2K efforts by the Deputy Secretary of Defense in monthly Y2K Steering Committee meetings.

-Supporting the actions of the President's Council on Year 2000 Conversion.

-Operational evaluation of DoD mission capabilities in a Y2K environment.

-Remediation, replacement, or retirement of DoD systems to achieve Y2K compliance.

Major Milestones in Corrective Action:

Completed Milestones:

Date:	Milestone:
C	Complete Awareness Phase.
C	Complete Y2K Assessment Phase. Progress on phases reported to OMB monthly and quarterly.
C	Complete Y2K Renovation Phase.
C	Complete interface agreements between all DoD mission critical systems.
C	Test plans developed for DoD major functional areas.
C	DoD Y2K Transition Period begins.

Planned Milestones (FY 2000):

Date:	Milestone:
Quarterly	Progress on Y2K phases is reported to OMB quarterly (due in February, May, August, and November).
	Y2K Validation Phase.
	Y2K Implementation Phase.
Monthly	Report systems Y2K compliance status by phase to OMB.
Monthly	DoD Y2K Steering Committee meeting chaired by Deputy Secretary of Defense attended by Chair, President's Council on Year 2000 Conversion, OMB, GAO, and congressional staff.
October 31, 1999	Complete testing of all system contingency plans.
November 15, 1999	Complete operational evaluations of Y2K compliance.
November 15, 1999	Complete functional end to end evaluations.
December 31, 1999	Complete systems Y2K remediation and implementation.
March 31, 2000	DoD Y2K Transition Period ends.

Planned Milestones (Beyond FY 2000):

Date:	Milestone:
	None.

Office of the Secretary of Defense Functional Point of Contact:

Ms. Sandy Rogers
Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
(703) 602-0980 extension 121

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999). In addition to the DoD Components specified below, efforts are underway throughout the Department to ensure proper computer system operations beyond 1999. Furthermore, Volume II of the Annual Statement of Assurance contains additional weaknesses that have no specific correlation to reported systemic weaknesses, but have been identified by the DoD Components in order to achieve full compliance with management control guidelines.

Department of the Army

Unresolved:

     Year 2000 Computer Problem

Department of the Air Force

Unresolved:

     Year 2000 Software Logic Problem

Defense Commissary Agency

Unresolved:

     Y2K Noncompliance

Defense Financial and Accounting Service

Unresolved:

     Conformity of Defense Finance and Accounting Service Systems to Year 2000
     Requirements

Defense Threat Reduction Agency

Unresolved:

Year 2000 Computer Problems

Special Operations Command

Unresolved:

Year 2000 Computer Problem

Personnel Security Investigations Program

Statement of the Problem: Personnel Security Investigations within the Department of Defense (DoD) are not currently being conducted in a timely manner and many of these investigations are reportedly not meeting required national investigative standards for coverage.

Source of Identification: GAO Review of Espionage and Personnel Security Investigations in DoD (Code 703242)

Potential Impact of the Problem: Since the purpose of the personnel security investigations program is to determine whether an individual should be 1) granted access to classified information, 2) accessed or retained in the military, or 3) employed in a sensitive position, it is important that these investigations be conducted in a thorough and timely manner. If concerns are not resolved, there may be a potential risk to the DoD personnel security program, as well as to the protection of classified and other sensitive information vital to the accomplishment of DoD core missions.

Possible Solutions: In the upcoming annual assurance statement, Defense Security Service (DSS) will identify the Personnel Security Investigations Program as being a material weakness and will provide an action plan that addresses corrective actions needed to bring the program back into compliance with performance expectations and with existing security policies. The plan will provide milestones for: improving performance of the automated Case Control Management System (CCMS), providing additional training to existing investigative agents, ensuring that investigative procedures are in compliance with existing policy directives, recruiting and training additional agents, standing up an augmentation management office, and establishing investigative standards for contractors and reserve components to achieve existing security policy objectives. The plan will provide both milestone dates and performance measures so that it will be clear when milestones are achieved.

Major Milestones in Corrective Actions: (C = Completed)

Completed Milestones:

To date, the Defense Security Service has implemented several initiatives to improve the quality and timeliness of its Personnel Security Investigations products:

Date:	Milestone:
C	Evaluate investigative policy against federal standards.
C	Review and rewrite investigations manual (DSSM 20-1).
C	Develop plan to evaluate and remedy backlog of Periodic Reinvestigations (PRs) within DoD.

C	Establish a plan for the DSS Standards and Quality Function.
C	Establish Program Management Office operated by the Air Force to provide expert support for infrastructure enhancements, development and acquisitions, to get current automation system to a stable operation.
C	Deploy new Case Control Management System (CCMS) release, to reduce the number of workflow user tasks, thus increasing the system throughput.
C	Establish Operational Standards and Quality Council (first meeting October 13, 1999).

Planned Milestones (FY 2000):

Date:	Milestone:
10/99	Develop formal training on federal standards for new case analysts.
11/99	Stand up operational Standards and Quality function at Headquarters.
12/99	Implement curriculum review to ensure quality initial training to all new investigative personnel.
12/99	Implement curriculum review to provide quality continuing education and training to all investigative personnel.
12/99	Develop evaluation system plan to assess training needs and to measure effectiveness.
12/99	Implement immediate term automation infrastructure enhancement actions pertaining to CCMS (i.e., Y2K testing and mitigation actions; DEC/Compaq system memory and disk optimization; Oracle engine and index optimization; workstation replacement; network packet/usage optimization; etc.).
01/00	Work with services to obtain overseas coverage (October 21, 1999 initial meeting with Services).
01/00	Develop Quality Plan (to include first line supervisory review, ensure high quality products, Personnel Investigations Center (PIC) quality review, and a measure to evaluate returned work).
02/00	Stand up operational Standards and Quality Function in field.
09/00	Implement near term infrastructure enhancement actions pertaining to CCMS (i.e., archiving information to reduce workload; upgrade of Oracle

to newer release; workflow process optimization; application optimization; subsystem separation to ease processing loads; electronic fingerprint card project; interface with the Joint Personnel Adjudication System; on-line access for the CAFs; etc.).

Planned Milestones (Beyond FY 2000):

Ongoing:	Work with adjudicative community, addressing the whole person concept (working group established October 12, 1999; next meeting January 2000).
Ongoing	Ensure effective communication with field investigators.
Ongoing	Implement hiring plan to hire highly qualified investigative personnel; establish basic skill level requirements for investigative personnel.
Ongoing	Upgrade and improve training.
Ongoing	Correct automation problems.
Ongoing	Pursue long term automation infrastructure enhancement actions relating to CCMS (i.e., workflow enhancements or replacement; database engine enhancements; additional user functionality; etc.).

Office of the Secretary of Defense Functional Proponent Point of Contact:

Mr. Pete Nelson, Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence)
Telephone: 703/697-3969

Related Initiatives:

A major control issue/systemic weakness is a statement of a broadly defined management control deficiency of a Department-wide nature. Individual DoD Components have reported on efforts to correct management control weaknesses that are supportive of departmental systemic initiatives. These Component weaknesses are listed below for information purposes. The list identifies the reporting DoD Component and, within each Component, the status of those weaknesses (either unresolved or resolved during FY 1999).

Defense Security Service

Unresolved:

Personnel Security Investigations Program

Conclusion

The information provided in the Department of Defense Annual Statement of Assurance focuses on complying with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget Circular A-123, "Management Accountability and Control." The narratives contained in this report reflect continuing improvement in the status of the systemic control weaknesses since last reported in the FY 1998 Annual Statement of Assurance. The brevity of this Volume I presentation provides, at a glance, the status of the most significant internal control issues in the Department of Defense.